

SIGIR OVERSIGHT

SIGIR AUDITS
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LEGISLATIVE UPDATE

SECTION 4

4

SIGIR AUDITS

From August 1, 2008, to October 30, 2008, SIGIR completed seven new audit products. Since March 2004, SIGIR has issued 129 audit products. Table 4.1 lists these audit products.

This quarter, SIGIR audits addressed a diverse range of issues:

- strengths and weaknesses in Department of State (DoS) and U.S. Agency for International Development (USAID) program management of democracy-building efforts in Iraq, and opportunities to strengthen managing for results
- continuing limitations regarding the reliability and usefulness of data on the number of Iraqi Security Forces who have been assigned and trained
- three reports on contracting issues: one providing available data on the number of private security contractors in Iraq and associated obligations; one focusing on contract terminations and limited adverse actions against

problem contractors; and the eighth in a continuing series of focused contract audits dealing with outcomes, costs, and oversight issues associated with major reconstruction contracts in Iraq

- why DoS expenditure rates on obligations for Economic Support Fund activities conducted under interagency agreements are lower than the expenditure rates of other appropriations used in Iraq
- why the U.S. Ambassador in Iraq has not always received information on problems and delays associated with reconstruction projects

SIGIR performs audit work under generally accepted government auditing standards.

SIGIR's reports have produced scores of recommendations designed to achieve management improvements and to suggest corrective actions needed in reconstruction and relief activities. The implementation of audit recommendations is crucial. SIGIR auditors regularly follow up

TABLE 4.1

SIGIR AUDIT PRODUCTS SINCE 8/1/2008

REPORT NUMBER	REPORT TITLE	DATE ISSUED
09-001	Opportunities To Enhance U.S. Democracy-building Strategy for Iraq	10/2008
09-002	Challenges in Obtaining Reliable and Useful Data on Iraqi Security Forces Continue	10/2008
09-003	Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute	10/2008
09-004	Iraq Reconstruction Project Terminations Represent a Range of Actions	10/2008
09-005	Agencies Need Improved Financial Data Reporting for Private Security Contractors	10/2008
09-006	Status of Department of State Economic Support Fund Interagency Agreements with the U.S. Army Corps of Engineers in Iraq	10/2008
09-007	Improvements Needed in Reporting Status of Reconstruction Projects to Chief of Mission	10/2008

on open recommendations to achieve their full implementation to the extent practical.

- For information on all SIGIR audit projects issued as of October 2008, see Appendix I.
- For the full text of all final audit products, see the SIGIR website: www.sigir.mil.
- For information on the status of implementation of SIGIR audit recommendations and the recommendations that remain open, see Appendix J.

In addition to specific recommendations to improve management processes, SIGIR has also identified numerous lessons learned in Iraq that may also apply to other ongoing and future contingencies.

SIGIR's work is well coordinated with other audit entities engaged in Iraq-related work; that coordination is reinforced by representatives of these entities who meet quarterly on the Iraq Inspectors General Council (IIGC) to prevent duplication of effort and to share information and experiences gained from ongoing audit activity. On August 20, 2008, the IIGC met at SIGIR headquarters in Arlington, Virginia; some members participated by phone from Baghdad and U.S. locations. The meeting participants included representatives from SIGIR, the Department of Defense Office of Inspector General, Department of State Office of Inspector General, U.S. Agency for International Development Office of Inspector General, Defense Contract Audit Agency, U.S. Army Audit Agency, and the Government Accountability Office.

Final SIGIR Audit Products for This Quarter

Opportunities To Enhance U.S. Democracy-building Strategy for Iraq (SIGIR-09-001, OCTOBER 2008)

Introduction

Since 2004, the Department of State (DoS) and U.S. Agency for International Development (USAID) have obligated more than \$1.9 billion for democracy-building programs in Iraq. Public Law 110-28 requires the Secretary of State to provide the Senate and House Committees on Appropriations a “comprehensive, long-term strategy, with goals and expected results, for strengthening and advancing democracy in Iraq.” In July 2007, DoS and USAID issued an overall strategy for democracy and governance in Iraq for 2007 through 2010. The overall goal is for Iraqi citizens, civil society, and democratic institutions to work cooperatively to reduce violence and build a sustainable, accountable, and responsive system of governance. To help achieve this goal, the strategy contains three strategic objectives:

1. Institutionalize democratic political and legislative processes that resolve disputes peacefully.
2. Improve the capacity and accountability at all levels of government.
3. Foster the environment for and development of Iraq's civil society and media to operate independently, freely, and effectively to promote democracy, transparency, tolerance, and respect for human rights.

A SIGIR review of prior Government Accountability Office (GAO) reports showed that GAO has identified six characteristics of an effective national strategy that offer policymakers and implementing agencies a management tool to help ensure accountability and more effective results. GAO identified these six desirable characteristics based on their underlying support in legislative or executive guidance and the frequency with which they were cited in other sources. These are the six characteristics, as adapted for this review:

- a clear purpose, scope, and methodology
- a detailed discussion of the problems, risks, and threats the strategy is intended to address
- the desired goals and objectives and outcome-related performance measures
- a description of the U.S. resources needed to implement the strategy
- a clear delineation of the U.S. government roles, responsibilities, and mechanisms for coordination
- a description of how the strategy is integrated internally among U.S. agencies and externally with the Government of Iraq and international organizations

These characteristics are in line with the results-oriented principles outlined in the Government Performance and Results Act. SIGIR's reporting objectives were to determine the extent to which the:

- U.S. strategy for democracy and governance in Iraq contains the characteristics of an effective strategy

- DoS and USAID efforts to assess their progress in meeting the goals and objectives of the strategy

Results

DoS and USAID have developed a U.S. strategy for advancing and strengthening democracy and governance in Iraq. The strategy contains a number of characteristics that are necessary for an effective strategic plan. At the same time, the strategy can be enhanced as a planning tool and vehicle for informing the Congress about progress toward achieving the plan's strategic objectives. SIGIR's analysis of the strategy shows that it:

- includes a purpose and a scope that is clearly stated and notes that U.S. involvement is critical to help build a responsive, representative, democratic Government of Iraq (GOI)
- recognizes the need to develop a government that seeks to resolve Iraq's differences peacefully while healing sectarian and ethnic divides
- provides a comprehensive description of the strategic objectives and performance measures to assess progress in achieving stated goals and objectives
- does not include the current and future costs to implement the strategy, such as the costs of building the capacity of the Iraqi government at the provincial and national level
- does not clearly assign accountability for implementing key aspects of the strategy
- does not address how U.S. goals and objectives will be integrated with the GOI and international organizations

SIGIR also noted that DoS and USAID can improve assessments of progress in achieving the strategy's strategic objectives. Although DoS and USAID have quarterly meetings to assess implementation of the strategy, they do not prepare written reports that document the results of these meetings. DoS and USAID officials stated that the quarterly reviews are based on the progress reports of their individual democracy-building programs. DoS receives quarterly progress reports from its grantees, and USAID receives monthly, quarterly, or semiannual progress reports, depending on the individual program. Although these reports describe the progress of individual programs, they do not fully show progress toward the strategy's three broad strategic objectives or expected outcomes, such as improving the capacity and accountability of all levels of government. In addition, no one office is responsible for assessing progress toward achieving the three strategic objectives.

In the near future, SIGIR plans to conduct follow-up work on the program management and oversight of selected DoS grants.

Recommendations

To increase the effectiveness of the strategy as a planning tool and to improve its usefulness to the Congress, SIGIR recommends that the Secretary of State direct that the following actions be taken:

- Require DoS and USAID program managers to revise the strategy to include the current and future costs needed for implementation.
- Clarify the roles and responsibilities of DoS and USAID in implementing the strategy; state how U.S. goals and objectives will be integrated with the goals and objectives of the GOI and international organizations.
- Designate an office to be accountable for overseeing progress toward achieving the three strategic objectives.
- Require DoS and USAID program managers to document the results of quarterly progress meetings during which they assess strategy implementation.

Management Comments and Audit Response

DoS provided comments about the overall report but did not specifically address the recommendations.

Challenges in Obtaining Reliable and Useful Data on Iraqi Security Forces Continue (SIGIR-09-002, OCTOBER 2008)

Introduction

Under Section 9204 of the Supplemental Appropriations Act of 2008, Public Law 110-252, the Secretary of Defense is required to submit a quarterly report to the Congress presenting a comprehensive set of performance indicators and measures of progress toward military and political stability in Iraq. Two indicators in the Department of Defense (DoD) September 2008 report, *Measuring Stability and Security in Iraq*, are the number of Iraqi Security Forces (ISF) assigned and the number trained. The number of ISF assigned is derived from payroll data from the Ministry of Defense (MOD) and

the Ministry of Interior (MOI). The number of personnel trained represents those who complete specific basic-level training, as reported by Coalition training teams.

In April 2008, SIGIR issued an interim report on the reliability and usefulness of the reported number of ISF personnel and the methodology used to determine and review those numbers. SIGIR concluded that although DoD was making efforts to improve the reliability of the information, there was a need for caution regarding its accuracy and usefulness. In addition, SIGIR reported that DoD made efforts to assess data reliability, but it will have less visibility over the data as the Government of Iraq (GOI) assumes more control over the training of its forces. Last, SIGIR reported on efforts to automate human resource and payroll systems to improve data accuracy and reliability within the MOD. This report provides additional information about these topics:

- the process for compiling data on ISF assigned and trained, including the accuracy and usefulness of data subsequently used for U.S. reporting, and its comparability over reporting periods
- the status of and challenges to improving data accuracy and reliability by developing automated human resource and payroll systems to be used by the MOD and MOI

Results

The data on Iraqi forces assigned and trained continues to contain inaccuracies, and comparability among DoD's quarterly reports is difficult because of changing metrics and definitions.

Inaccuracies in the data persist because Iraq's payroll systems contain improper documentation and reporting of personnel actions and unauthorized employees. They also contained inconsistent information as a result of corrupt and irregular practices. In addition, the usefulness of data on Iraqi police assigned and trained continues to be limited because not all police assigned to the force have been trained. Furthermore, not all those trained—both police and military—are available for duty: some of those reported as assigned have completed their obligation, some are on leave or are absent without leave, and others have been injured or killed. Because reporting metrics and definitions have changed, meaningful trend analysis remains difficult.

U.S. and Iraqi-funded efforts are continuing to automate human resource and payroll systems and improve the ability of the MOD and MOI to better manage their personnel. Although the systems offer some capabilities, they are still incomplete and not fully implemented. According to DoD officials, problems with data entry, staff training and proficiency, and supporting infrastructure are hindering full implementation of the MOD's Human Resource Information Management System (HRIMS) and the MOI's e-Ministry system. In addition, poor requirements definition and unsatisfactory contractor performance have delayed development of the HRIMS system, which cost \$21.2 million in U.S.-appropriated monies from the Iraq Security Forces Fund (ISFF). The GOI is funding MOI's e-Ministry system at an estimated cost of \$27.8 million. However, resistance to accountability and identification of individuals may affect

accurate data entry and reduce e-Ministry's ability to provide reliable information when completed.

Lessons Learned

Neither the Joint Contracting Command-Iraq/Afghanistan nor the Multi-National Security Transition Command-Iraq included specific or measurable deliverables in the statement of work of the HRIMS contract. As a result, even though officials were not satisfied with the contractor's performance, they could not terminate the contract for cause because they could not cite the contractor for a failure to meet contract requirements. If the U.S. government is to hold contractors responsible for poor performance, it must clearly specify in the contract what it expects in "deliverables" and contract performance.

Management Comments and Audit Response

MNSTC-I provided comments on a draft of this report in which it generally concurred with the report's conclusions and lessons learned.

Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute

(SIGIR-09-003, OCTOBER 2008)

Introduction

A December 2006 amendment to SIGIR's enabling legislation requires that SIGIR prepare a forensic audit report on funds made available to the Iraq Relief and Reconstruction Fund. The 2008 Defense Authorization Act extended this same requirement to other funds, including the Economic Support Fund. Under this

requirement, SIGIR has undertaken a series of focused contract reviews examining major Iraq reconstruction contracts. The objective of these audits is to examine contract cost, outcome, and management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report, the eighth in the series of focused contract reviews, examines two contracts for local governance program (LGP) activities to help the Iraqis in creating a more favorable environment for local governance and to build the capacity of representative councils and subnational offices of central government ministries to manage more effective, efficient, and responsive customer services. In 2003 and 2005, the U.S. Agency for International Development (USAID) awarded two contracts to Research Triangle Institute (RTI). The total contract value of the two contracts (LGP-1 and LGP-2) was \$598,218,622, as of June 30, 2008.

SIGIR's objectives were to determine the costs and outcomes of RTI's work under its contracts and to evaluate USAID's oversight of the contracts.

Results in Brief

Costs Are Not Easily Linked to Outcomes.

As of June 30, 2008, the total value of the LGP-1 and LGP-2 contracts is \$598,218,622—\$239,317,322 for the LGP-1 contract and \$358,901,300 for the LGP-2 contract. Of this amount, \$513,027,336 has reportedly been disbursed—\$239,317,322 from the LGP-1 contract, and \$273,710,014 from the LGP-2 contract. Before April 2007, RTI reports did not identify costs for individual activities; costs were

identified at an aggregate level. Consequently, for the first four years of the contract, SIGIR could not assess the outcomes associated with the cost of individual activities. For details on the obligations of each contract and its disbursements, see Table 4.2.

The LGP-1 contract was funded by multiple appropriations, including:

- the first Iraq Relief and Reconstruction Fund (IRRF 1) (Public Law 108-11)
- the second Iraq Relief and Reconstruction Fund (IRRF 2) (Public Law 108-106)
- USAID's Economic Support Fund (ESF)
- the Development Fund for Iraq (DFI)

IRRF 1 provided approximately \$104.7 million, IRRF 2 provided approximately \$125.7 million; ESF provided approximately \$6 million, and the DFI provided about \$2.9 million. The LGP-2 contract is funded by IRRF 2 and the ESF. IRRF 2 provided about \$107 million, and ESF provided about \$251 million.

Contract Outcomes Were Initially Unclear.

Since USAID approved RTI's first performance monitoring plan in April 2007, program results

have begun to be better documented. However, although SIGIR's current work suggests that the current outcomes of this program are positive, SIGIR could not determine whether the government received appropriate value for the amount invested over the life of these contracts for two reasons. First, for the first four years of the project, no process was in place to identify project objectives and assess outcomes. Second, the program costs were reported at the aggregate level for the first four years, rather than at an activity level, which precludes an assessment of the efficiency, effectiveness, or value of individual activities.

Two reports issued by the USAID Regional Inspector General (USAID/RIG) found that for the first four years USAID did not enforce its requirement that the contractor submit plans and progress reports needed to identify outcomes including:

- a Performance Monitoring Plan to identify benchmarks and targets
- Quarterly Work Plans (later called Quarterly Implementation Plans) to identify activities that RTI planned to carry out

TABLE 4.2

LGP CONTRACT VALUE AND DISBURSEMENTS, AS OF 6/30/2008

CONTRACT	PERIOD OF PERFORMANCE	OBLIGATIONS	DISBURSEMENTS
Local Governance Program (LGP 1) EDG-C-00-03-00010-00	3/26/2003–5/9/2005	\$239,317,322	\$239,317,322
Local Governance Program (LGP 2) 267-C-00-05-00505-00	5/9/2005–12/31/2008	\$358,901,300	\$273,710,014
Total		\$598,218,622	\$513,027,336

Note: SIGIR did not audit the data or verify RTI computer system controls.

Source: SIGIR review of RTI contracts, RTI financial reports, and RTI invoices.

- semiannual Performance Monitoring Reports that would report progress toward the benchmarks and targets

As a result, the USAID/RIG concluded that it could not determine if the contracts were improving Iraq's local governance capabilities.

SIGIR's review looked specifically at the program since the last USAID/RIG report (July 2007), which stated that in April 2007 USAID approved RTI's Performance Monitoring Plan, and RTI submitted its first Quarterly Implementation Plan. SIGIR reviewed these and subsequent plans and progress reports and found that they contain the needed information on current contractor activities, along with benchmarks for assessing progress. Together, the documents show that for the last 18 months progress has been made in improving local governance. SIGIR chose two activities for assessment—the development of Provincial Development Strategies and a Geographical Information System to help the Iraqis map government infrastructure—and found that outcomes are better documented. SIGIR also interviewed personnel knowledgeable about LGP activities, including DoS officials responsible for provincial affairs and military and civilian personnel located in the provinces. All of the personnel endorsed the program.

SIGIR also noted that RTI's activity reporting—particularly training activity reporting—is sometimes not linked to specific program goals and objectives. Although measuring the effect of training is unquestionably difficult, SIGIR believes that improvements can be made in this area.

Contract Management and Oversight Has Improved Over Time.

Although USAID did not establish a process for identifying project objectives and assessing outcome for these contracts during their first four years of activity, recent changes have improved oversight. For example, in December 2006 USAID shifted greater program oversight responsibility to USAID representatives assigned to Provincial Reconstruction Teams (PRTs). These representatives, called activity managers, assist in overseeing contract activity. USAID was developing an operations manual that formalizes the role of the PRT representative, but this effort still needs to be finalized. SIGIR identified a number of other contract management and oversight problems, including:

- Initially, USAID did not assign sufficient personnel to manage the contract. During most of the contracts' period of performance, one Cognizant Technical Officer (CTO) was assigned. The number of CTOs assigned is an agency decision; nevertheless, SIGIR believes that one CTO could not manage these contracts effectively because of the size and scope of the LGP contracts (\$598 million with activities in 18 provinces) and the associated responsibilities conferred on the CTO. The appointment of USAID representatives at the PRTs to assist in oversight should improve this situation.
- USAID is required to evaluate the contractor's performance annually, but for the last three years these evaluations have been completed late. USAID's evaluation of RTI for the year ending in May 2006 was not finalized until

May 23, 2007; the evaluation for the year ending in May 2007 was not finalized until August 29, 2007. Nonetheless, USAID exercised two option periods for LGP-2—in July and December 2006—without essential performance information on which to base the decision. USAID/RIG reported this in its July 2007 report. SIGIR found that the evaluation report for the period ending May 2008 has also not been finalized. However, on September 23, 2008, USAID provided SIGIR with documents showing that the 2008 evaluation is in process.

- USAID's review and approval process for RTI invoices and vouchers is inadequate. Section G.1 of the LGP-2 contract states that the CTO is the authorized representative of the government to approve vouchers under this contract. The CTO's signed designation letter also requires the CTO to provide administrative approval of contractor vouchers or invoices. However, because the contract states that payment is to be made by means of a letter of credit, RTI draws funds in advance. Consequently, the CTO is not approving the vouchers. The CTO is in the best position to determine whether RTI expenditures listed on monthly invoices are appropriate. SIGIR found no evidence of written CTO approval of RTI invoices.
- During the course of its work on the LGP contract, RTI physically lost \$185,000. With the concurrence of the contracting officer, RTI claimed the loss as an allowable expense and submitted an invoice for the lost money. The invoice included RTI's General and Administrative fee and its fixed fee. The

government subsequently paid RTI \$56,906 for both of these fees. SIGIR questions the decision to pay fees on the lost money.

Recommendations

SIGIR recommends that the USAID Mission Director-Iraq take these actions:

- Direct USAID officials to establish a time-frame for completing the operations manual that provides guidance to activity managers for overseeing contractor performance.
- Direct the CTO to review and approve RTI vouchers and invoices as required by the contract. Also, require the CTO to maintain documentation of the approvals in the contract file.
- Direct that action be taken to recover the General and Administrative fee and the fixed fee paid to RTI on the \$185,000 in lost funds.

Lesson Learned

The overall success of a contract is determined by the success of its individual activities or tasks. Consequently, management needs information at the activity level on expected outcomes, progress toward achieving outcomes, and costs to determine how discrete activities contribute to overall program goals and objectives. This is particularly true for large dollar-value contracts.

Management Comments and Audit Response

USAID concurred with the report's findings and identified steps it is taking to address each recommendation. According to USAID, it has already issued guidelines for its PRT representatives that clarify their role and has improved its voucher and invoice review processes. It also

agreed that the amounts paid to RTI for the lost funds were inappropriate and stated that it would include this matter as part of the closeout process.

Iraq Reconstruction Project Terminations Represent a Range of Actions

(SIGIR-09-004, OCTOBER 2008)

Introduction

Since 2003, the U.S. government has appropriated more than \$50 billion for Iraq reconstruction. More than \$46 billion was appropriated through four Iraq reconstruction accounts, which were managed primarily by two Department of Defense (DoD) agencies:

- the Gulf Region Division (GRD) of the U.S. Army Corps of Engineers
- the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A)

As of July 2008, approximately \$38.37 billion of this amount had been obligated, much of it under contractual arrangements.

SIGIR has often been asked about problems in the U.S. reconstruction program, including the extent to which contracts have been terminated because of poor performance by contractors. Government contracts generally contain clauses that allow the U.S. government to end a contract for a number of reasons, including:

- if the need for the supplies or services no longer exists
- if the contractor's performance becomes unsatisfactory
- if some other situation develops that warrants contract closure

To initially address the issue of contract terminations, SIGIR previously prepared an interim report on the availability of aggregate information on such contract actions involving Iraq reconstruction managed by DoD implementing agencies. That interim report provided an overview of the process for contract termination for convenience and default, as well as available information about contract terminations. This follow-on report provides additional insights on factors and circumstances related to contract terminations of selected projects and the reasons for them.

In this report, SIGIR's objectives were to determine:

- the numbers, types, and basis for all DoD terminations of Iraq reconstruction contracts, as well as the characteristics of selected terminations actions
- whether terminated projects resulted in wasted government resources
- whether DoD agencies ensured the integrity and competence of companies selected for contracts terminated for default, and whether they took appropriate action—including suspension and debarment—against poor-performing contractors
- whether funds were still obligated against terminated contracts

SIGIR's review was limited somewhat by the incompleteness of the contract files for the projects reviewed, which made it difficult to thoroughly evaluate the reported terminations. Although most files contained termination modifications or notices, only a few contained

other required management documents, such as a record of the required legal review of awards, rights of parties, termination procedures, liabilities, settlement proposals and agreements, and other contractual matters. Few files contained any information on the percentage of work completed by the contractor at termination; when a percentage was cited, often it was simply a calculation of the amount of funds expended. Also, the contract files rarely contained records of agency actions to determine contractors' prior awards and performance before awarding new contracts.

Results

As of June 2008, SIGIR identified 1,262 projects that DoD had terminated, including 732 for the convenience of the government, and 530 for default on the part of the contractor. These terminated projects had initial obligations of about \$1 billion, of which approximately \$600 million had been paid to contractors, including \$89.7 million to contractors on projects terminated for default. Although a few projects were nearly completed at the time, the vast majority were not. SIGIR selected 195 terminations for more detailed review, drawing largely from projects valued at \$1 million or more, which account for approximately 80% of the initial obligation amounts.

SIGIR reviewed 135 terminations for convenience, 56 terminations for default, and 4 terminations incorrectly identified in the Iraq Reconstruction Management System. SIGIR found that terminations for convenience were

often the result of changes in scope or requirement, security problems, or because the projects were no longer needed. In a few cases, the projects were terminated because the Government of Iraq (GOI) did not provide the expected support. Several projects were terminated for convenience despite indications of inadequate contractor performance. SIGIR also noted that several other contractors received contracts to complete work that had been terminated for convenience.

SIGIR reviewed 56 terminations for default: 39 from GRD, 16 from JCC-I/A, and 1 from Multi-National Corps-Iraq. Most of the contracts were terminated for poor performance by contractors and subcontractors, but a few were terminated for security reasons. Some of the projects were later completed by other contractors.

Waste can result if projects are terminated prior to completion and not subsequently completed or used. SIGIR identified several large projects that were started, terminated (some more than once), and not subsequently completed. Other projects were terminated shortly after work began, requiring the U.S. government to pay for contractor-incurred expenses. For these projects, it appears that millions of dollars might have been wasted.

Regarding the projects reviewed, SIGIR found no records of any action taken to suspend or debar defaulting contractors for poor performance. Some contractors were awarded additional contracts. Although the Federal Acquisition Regulation does not require agencies

to suspend or debar contractors for poor performance, agencies are authorized to suspend or debar contractors for failure or refusal to perform on a contract—and for any other serious, compelling action affecting responsibility.

SIGIR found that in two instances the government awarded new reconstruction contracts to suspended or debarred companies on the Excluded Parties List System (EPLS), based on activities unrelated to the projects that SIGIR reviewed. In addition, SIGIR identified two contractors on the EPLS that continue to work on contracts awarded to them before their suspension. Subsequently, DoD initiated actions to terminate one of these contracts. The other contract was delayed because the GOI did not provide title to the land on which the school was to be built. In summary, DoD continues to use two contractors that have been suspended for fraud and responsibility issues.

Finally, SIGIR found that terminated projects contained about \$16.62 million in unliquidated obligations that the government may be able to deobligate. JCC-I/A officials speculated that the contract terminating official may not have released the funds. However, GRD officials said that the U.S. Army Corps of Engineers Financial Management System should identify why the funds were being held. After SIGIR informed the DoD agencies of these unliquidated obligations in June 2008, the agencies stated that they would investigate all of the obligations and take any necessary actions to deobligate unneeded funds. As of September 2008, \$14.50 million in unliquidated obligations remained.

Recommendations

SIGIR recommends that GRD and JCC-I/A reinforce the importance of screening contractors to ensure that they have not been suspended or debarred. SIGIR also recommends that GRD, JCC-I/A, and the Air Force Center for Engineering and the Environment review all terminated contracts to ensure that unneeded funds have been deobligated.

Management Comments and Audit Response

GRD and JCC-I/A provided written comments concurring with SIGIR's recommendations. GRD and JCC-I/A, as well as MNF-I and MNC-I, provided technical comments that were considered in finalizing this report.

Agencies Need Improved Financial Data Reporting for Private Security Contractors (SIGIR-09-005, OCTOBER 2008)

Introduction

Since April 2003, private sector companies and individuals, commonly known as private security contractors (PSCs), have provided physical security services to protect the personnel, facilities, and property of the U.S. government and its contractors, subcontractors, and other parties supporting the U.S. mission in Iraq. The National Defense Authorization Act for Fiscal Year (FY) 2008 requires SIGIR to develop a "comprehensive plan for a series of audits of contracts, subcontracts, and task and delivery orders..." relating to the performance of security and reconstruction functions in Iraq. As part of this mandate, SIGIR reviewed available data from the Department of Defense (DoD), Department

of State (DoS), U.S. Agency for International Development (USAID) and other government sources on U.S.-funded private security services provided to the U.S. government and its contractors and grant recipients in Iraq. These services are defined in this report as guarding sites (static security), escorting individuals and equipment convoys, and providing security advice and planning.

The objective for this report was to determine the extent to which federal agencies have systematically captured financial data for private security services in Iraq since 2003, and to attempt to identify the number of contracts and costs for private security services in Iraq from available data sources.

Results

DoD, DoS, and USAID have not been required to systematically identify financial data for private security contractor (PSC) services. Consequently, financial management systems do not routinely capture data that would show how much has been obligated and spent for these individual services. Obtaining data from multiple government sources, SIGIR identified:

- 77 PSCs with associated obligations of about \$5.3 billion in direct contracts and subcontracts to provide security services to U.S.-funded projects and programs since 2003.
- an additional 233 contractors with about \$662 million in associated obligations for contracts to provide security services that could be for providing guards or escorts, but the descriptions of work were so general that they could

be for other services such as providing network security

This is the best information available because agencies were not required to specifically identify and aggregate this data. It likely means that the obligations identified from various government sources are understated. For example:

- There was no financial information on obligations for 191 companies identified in various data bases as having contracts for security services.
- Financial data on subcontracts to prime contractors implementing reconstruction programs is limited. DoD, DoS, and USAID are not required to routinely track these costs in general and do not do so for security costs. However, from various data bases and other sources, SIGIR identified \$1.2 billion in subcontract costs for security. This number is likely low given the limited data available on subcontracts.

Having more complete financial data would provide managers with better information in two key areas to support future decisions to invest resources. First, as the reconstruction effort evolves from large-scale infrastructure projects to capacity building, physical security could become a larger portion of total contract cost. Such an increase could make it more important to weigh the potential value of a project outcome against the potentially larger security costs. Second, to the extent U.S. forces are withdrawn, and assuming that significant civilian technical

assistance missions remain, requirements for private security services for DoS and USAID would likely increase to compensate for support previously provided by the military. PSC requirements could also increase because the recent reduction in violence enables more frequent personnel movements within Iraq but with private security contractor support still being needed for all trips outside of U.S. secured areas.

Finally, there are additional costs associated with providing security that are also relevant, including procuring armored vehicles, hardening office and employee residences, and prime contractor overhead expenses that are charged for security subcontracting. Financial information for these contracts and subcontracts would allow U.S. agencies to assess their security costs relative to expected project benefits and costs, and it can also be useful in planning for other contingency operations

Recommendations

SIGIR recommends that the Secretary of Defense, Secretary of State, and USAID Administrator take the following actions:

1. Develop processes for routinely capturing financial information for all contracts and subcontracts for private security services. This should also include such ancillary costs as government furnished equipment and hardening of offices.
2. Direct program managers to consider the costs of security relative to the expected benefits for all new projects.

3. Identify security costs at the subcontractor level for all new projects.

Lessons Learned

At the beginning of reconstruction activities in 2003, the high costs associated with providing security for U.S. personnel in Iraq were not readily apparent. Further, because there was no requirement to track these costs, it was not completely clear for several years that security costs were consuming large portions of reconstruction budgets. However, it is now clear that these costs were extremely high. As a result, SIGIR believes that an important lesson learned from the experience in Iraq is the need to include security costs in decision-making when engaging in and contracting for reconstruction activities in any contingency operation including Afghanistan.

Management Comments and Audit Response

SIGIR received technical comments on the draft report from DoS, USAID, and MNF-I, and addressed these comments in the report where appropriate. SIGIR did not obtain comments from DoD in time to be included in the report.

Status of Department of State Economic Support Fund Interagency Agreements with the U.S. Army Corps of Engineers in Iraq

(SIGIR-09-006, OCTOBER 2008)

Introduction

The Economic Support Fund (ESF) is an appropriation account authorized by the Foreign

Assistance Act of 1961. Specific ESF dollar amounts are requested in the President's Budget to Congress and approved by the Congress under the Department of State's International Affairs - Foreign Operations, Export Financing and Related Program (Foreign Operations), Other Bilateral Economic Assistance, budgetary account. Since 2003, the Congress has appropriated \$3.20 billion to ESF for Iraq reconstruction. ESF advances U.S. foreign policy interests by:

- increasing the role of the private sector in the economy, reducing government controls over markets, enhancing job creation, and improving economic growth
- developing an effective, accessible, independent legal system operating under the rule of law
- assisting in the transition to transparent and accountable governance and the empowerment of citizens
- developing and strengthening the institutions necessary for sustainable democracy
- strengthening the capacity to manage the human dimension of the transition to democracy and a market economy and to help sustain the neediest sectors of the population during the transition

Since mid-2006, DoS, through the Director of Foreign Assistance, has been responsible for ESF programming decisions. The U.S. Agency for International Development and DoS bureaus have each been given responsibility for implementing ESF funds for Iraq.

In 2006, DOS entered into three interagency agreements with USACE to execute programs

in Iraq. In these agreements, ITAO and USACE were assigned roles in carrying out ESF activities, in coordination with DoS. ITAO's role is to coordinate and oversee the process for selecting and approving projects, particularly for the PRDC interagency agreement.

The Foreign Assistance Act of 1961 requires agencies to spend ESF funds for the activities, programs, and projects justified to the Congress. However, changes to activities, programs, and projects are permitted if the appropriate congressional committees are notified.

In 2006, DoS and USACE executed three interagency agreements under the authority and funding provided by Public Law 109-234, which provided funding to carry out the purposes of the Foreign Assistance Act of 1961. The appropriation had a two-year life: the funds would expire on September 30, 2007.

Objectives

SIGIR has frequently been asked why the expenditure rate for ESF funds is relatively low, compared to other appropriations being used in Iraq. To determine why this occurs, SIGIR analyzed the status of obligations and expenditures for three ESF-funded interagency agreements valued at \$1.25 billion and the practices used to obligate and expend funds.

Results

SIGIR identified three significant and interrelated issues that affect the rate of obligation and expenditure for the ESF appropriations funding these agreements. First, although the ESF appropriation is a two-year appropriation, obligations

recorded based on interagency agreements under the authority of the Foreign Assistance Act of 1961 do not automatically deobligate after the period of availability. Instead, the funds remain available for deobligation and subsequent reobligation for a period of four years after the obligation expires. Second, although the funds identified in the agreements are obligated at the time the agreements are signed, projects are not always associated with the agreements at that time. SIGIR's review shows that USACE has not awarded contracts for \$126 million from the FY 2006 ESF appropriation (15%), and \$224 million from the FY 2007 appropriation (58%). Third, the purpose and nature of the agreements—to develop the Iraqis' capabilities—also contributes to a slower expenditure rate than would typically occur.

The three agreements that SIGIR reviewed were intended to fund projects supporting:

- Provincial Reconstruction Teams and Provincial Reconstruction Development Committees
- infrastructure security protection for oil, water, and electricity sectors
- sustainment and technical capacity development in the electricity, water, health, transportation, and communication sectors

USACE executes projects under these agreements after they have been identified and approved by ITAO, which selects projects after reviewing requests from other program elements in Iraq. Once ITAO approves a project and USACE awards a contract, it is recorded as

a subobligation of funds against those already obligated to pay for the projects.

SIGIR's review of funds obligated under these agreements shows that the current total value of the agreements is approximately \$1.25 billion, as of September 22, 2008. Of this amount, USACE has disbursed approximately \$587 million—about 47% of the total value of the agreements. The expenditure rate is low partly because only about 72% of the \$1.25 billion has been subobligated, which means that USACE has awarded a contract for a specific project. USACE has not awarded contracts for \$350 million (28%) in ESF funds. These funds remain available to DoS.

Recommendations

This report was provided for information purposes only and did not contain any recommendations.

Management Comments and Audit Response

SIGIR received written comments from DoS, GRD, and ITAO on a draft of this report. All three questioned SIGIR's statement that funds under these agreements are being expended at a slower rate than would typically occur. SIGIR has added a section to the draft that discusses expenditure rates. GRD also provided additional detail on the projects funded by these agreements to show how the funds are being used. SIGIR agrees with the information provided and believes it adds to the explanation for the pace of expenditure. DoS expressed concern that the draft report contained inaccurate information and misleading conclusions about DoS's legal

authorities and the nature of the agreement. SIGIR is not questioning the authority of DoS to enter into these agreements, nor does SIGIR believe that DoS's management of these agreements is improper. However, the study's objective was to determine why funds that were reported as fully obligated—some almost two years ago—have been only 47% disbursed. SIGIR identified two reasons for the low expenditure rate in the original draft and, based on the written comments SIGIR received, added a third reason—the nature of the agreements. SIGIR believes that these reasons accurately explain the expenditure rates for these three agreements.

Improvements Needed in Reporting Status of Reconstruction Projects to Chief of Mission

(SIGIR-09-007, OCTOBER 2008)

Introduction

In July 2008, the U.S. Ambassador to Iraq (Chief of Mission, or COM) raised questions about the availability of management information needed for oversight of agency reconstruction projects. At the COM's request, SIGIR initiated a review to identify and determine the adequacy of the processes used to provide the current status of reconstruction projects to the COM.

On May 23, 2007, the U.S. Embassy-Baghdad's Organization and Staffing Report formalized a number of changes designed to improve the overall efficiency and effectiveness of organizations in support of operations and ongoing efforts for the transition in Iraq. The report recommended scheduled meetings at the

post level to allow greater coordination on cross-cutting issues and daily briefings to the COM.

The Economic Minister plays an important role in the new organizational alignment, serving as the Coordinator for Economic Transition in Iraq (CETI). The CETI coordinates U.S. government policy on economic development in Iraq—including coordinating all relevant elements of the U.S. Embassy—to facilitate a smooth transition from U.S. government and other external assistance. Managing the flow of information is a key element of this responsibility. The CETI reports directly to the COM and Deputy Chief of Mission.

Results

The Department of State (DoS) has various avenues for communicating information on Iraq reconstruction projects, but they fall short of ensuring that the COM receives information critical for making decisions on reconstruction projects. The current process for reporting reconstruction status to the COM includes three sources of information:

- The Reconstruction Core Group, which meets weekly with representatives from key reconstruction organizations, is the COM's primary source of project-related information.
- The *Section 2207 Report*, a quarterly report to Congress, estimates the cost to complete individual projects funded by the Iraq Relief and Reconstruction Fund (IRRF).
- The Iraq Reconstruction Management System provides aggregate data on Iraq reconstruction efforts funded by the U.S. government.

Despite these reporting mechanisms, there are no formalized policies or guidance to outline what, when, or how to report reconstruction project status to the COM, according to senior officials. In addition, there is no systematic process or criteria to analyze the cost, schedule, performance, or associated impact that automatically initiate reporting to the COM based on these criteria. Project reporting is left to the discretion of project managers, subject matter experts, and other senior leaders. For example, until recently, the COM was unaware of various issues impacting the successful completion of the Falluja wastewater project, the only wastewater system built from the “ground up.” Security concerns, inadequate design, poor contractor performance, and work stoppages for non-payment of contractor invoices caused repeated delays in the project. Without a formalized reporting process or established reporting criteria, projects with substantial delays, spiraling costs, security concerns, or other high-risk issues may not be brought to the COM’s attention, potentially resulting in poor management decisions and wasted taxpayer dollars.

Recommendations

SIGIR recommends that the U.S. Ambassador to Iraq take these actions:

1. Establish and publish policy and guidance to uniformly report the status of reconstruction projects to the U.S. Ambassador. The policy and guidance should consider stratifying and prioritizing projects to be reported to the U.S. Ambassador. Furthermore, the policy and guidance should establish a means of identifying key elements of a project—such as cost, schedule, and performance—to objectively provide the status of a project.
2. Direct the Coordinator for Economic Transition in Iraq to establish a process based on the new policy guidance to ensure that all reconstruction projects, regardless of funding source or agency management, are accurately and adequately reported to the U.S. Ambassador. If a project is delayed or terminated, the Coordinator should also consider the associated impact on quality of life and diplomatic relationships. Any project deviating from established criteria should trigger required notification to the Ambassador.

Management Comments and Audit Response

In written comments on a draft of this report, the Deputy COM and the Commanding General, U.S. Army Corps of Engineers Gulf Region Division (GRD), concurred with the report, and the Deputy COM stated that action to implement SIGIR’s recommendations is underway. The Deputy Chief of Mission indicated that she had requested the Coordinator for Economic Transition in Iraq to design a process to report project status, with some measure of objectivity, for problem projects.

The Deputy COM suggested that for clarity’s sake, the second recommendation involving “all projects, regardless of funding source or agency management” should be refined to read “all non-military projects, regardless of funding source or agency management,” indicating that the COM does not have authority over projects funded by the U.S. military. SIGIR did not

change the recommendation because the majority of remaining reconstruction projects are funded by DoD. Consequently, SIGIR believes that the process being developed to provide the COM information should include reconstruction projects funded by DoD. Although SIGIR realizes that there is a division of responsibilities between the Embassy and MNF-I, that does not exclude the sharing of information of mutual interest. Moreover, National Security Presidential Directive (May 11, 2004) states that “The Secretary of State shall be responsible for the continuous supervision and general direction of all assistance for Iraq.” Consequently, SIGIR believes that the process being developed to provide the COM information should include reconstruction projects for the benefit of Iraq, funded by DoD. Including such information is consistent with the collaborative working relationship between the COM and the Commanding General, MNF-I. The extent and scope of the information would be decided as part of the ongoing process described in the Deputy COM’s comments.

MNF-I and GRD provided additional comments, which for the most part included suggestions for technical changes to the report. SIGIR considered these comments in preparing this final report and made changes considered appropriate.

Ongoing and Planned Audits

SIGIR conducts primarily performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs,

often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits⁶³³ of major Iraq reconstruction contracts to enable SIGIR to respond to a congressional mandate for a “forensic audit” of U.S. spending associated with Iraq reconstruction.

Ongoing Audits

SIGIR is currently working on these ongoing audits:

- SIGIR-8003: Review of Spending and Performance under Kellogg Brown & Root Services, Inc. (KBR) Reconstruction Projects—Oil Sector (focused contract audit)
- SIGIR-8017: Review of Department of Defense Contracts in Iraq with the Aegis Private Security Company
- SIGIR-8018: Review of Quick Response Fund (QRF) and Iraq Rapid Assistance Program (IRAP)
- SIGIR-8019: Joint Review with Department of State Office of Inspector General of Blackwater Contract and Associated Task Orders for Worldwide Personal Protective Services (replaces former SIGIR Project 7018)
- SIGIR-8022: Review of the Transition of Iraq Reconstruction Projects to the Government of Iraq
- SIGIR-8031: Review of Military Field Commanders’ Experiences Working with and Managing Private Security Contractors in the Iraqi Theater of Operations
- SIGIR-8032: Review of DoD’s Theater-wide Security Services (TWISS) Contract

- SIGIR-8033: Review of U.S. Plans and Outcomes of Training and Equipping Iraqi Security Forces
- SIGIR-8034: Review of Opportunities To Increase Cost-sharing Arrangements for Reconstruction of Iraq
- SIGIR-8035: Review of DoD's Program To Help the Government of Iraq Restart State-owned Factories
- SIGIR-8036: Review of the Effectiveness of Provincial Reconstruction Teams' Use of Performance Measures in Iraq
- SIGIR-8037: Review of the National Maintenance Contract and Related Contracts (focused contract audit)
- SIGIR-8038: Review of DoS Management Practices Related to Grants to the International Republican Institute and National Democratic Institute for Democracy-building Projects in Iraq
- SIGIR-8039: Review of the Planning, Management, and Impact of U.S. Capacity-development Activities in Iraq

Planned Audits

SIGIR's audit planning is aligned with two key goals contained in SIGIR's strategic audit plan:

- improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction
- assessing and strengthening the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction

SIGIR's strategic plan recognizes two specific legislative mandates affecting SIGIR audits. The first is the mandate for SIGIR to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction before SIGIR goes out of existence. As part of that effort, SIGIR has completed eight focused contract audits dealing with the outcomes, cost, and oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. Another such review is ongoing, and others are planned. The second mandate gave SIGIR a lead role in developing a comprehensive audit plan for a series of audits of federal agency contracts, subcontracts, task orders, and delivery orders for the performance of security and reconstruction functions in Iraq, in consultation with other inspectors general. SIGIR's strategic audit plan can be found at http://www.sigir.mil/audits/pdf/Audit_Strategic_Plan.pdf.

During this quarter SIGIR—in consultation with DoD OIG, DoS OIG, and USAID OIG—completed the comprehensive audit plan audits of private security contractors. Although some of the audits identified in the plan will be completed by SIGIR, others are expected to be completed by the other inspector general agencies. This quarter, SIGIR issued the first report under this mandate—SIGIR-09-005, “Agencies Need Improved Financial Data Reporting for Private Security Contractors.” Other private security contractor audits are ongoing. This plan may be found at <http://www.sigir.mil/audits>.

SIGIR INSPECTIONS

This quarter, SIGIR Inspections conducted nine assessments, issued in three reports. Three of the nine projects were assessments of relief and reconstruction work funded under the Iraq-Commander's Emergency Response Program (I-CERP). The remaining six assessments comprised three IRRF-funded projects, two DFI-funded projects, and one CERP-funded project.

SIGIR's construction assessments addressed these general questions:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the contractor's quality control (QC) and the U.S. government's quality assurance (QA) programs adequate?
- Were project sustainability and operational effectiveness adequately addressed?
- Were the project results consistent with the original objectives?

SIGIR's sustainment assessments focus on whether the projects delivered to the Iraqis were operating at the capacity planned in the original contract or task order objective. To accomplish this, SIGIR determined whether the projects were at planned capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the assessment. In addition, SIGIR determined whether sustainability was

adequately planned for and whether it is likely to continue.

Since the Inspections program began in summer 2005, SIGIR has completed 131 project assessment reports, 96 limited on-site inspections, and 640 aerial assessments.

This quarter, for the first time, SIGIR Inspections assessed activities funded by the I-CERP; these funds are Development Fund for Iraq (DFI) monies transferred to the United States for disbursement in accordance with the I-CERP Standard Operating Procedures issued by MNC-I. The **Al Quds**, **Al Mualameen**, and **Al Faoo school projects** were all funded under I-CERP.

At the time of the inspections, the three school projects were not complete. MNC-I representatives reported that the local Iraqi contractor requested to be released from the contracts because he had received multiple solicitations for bribes from Government of Iraq (GOI) representatives. The Iraqi contractor stated that he refused to make the bribe payments and had received threats against himself, his colleagues, and his family. MNC-I representatives reported that Coalition forces closed the contracts and made partial payments to the contractor for work completed at the time the projects were closed out. MNC-I reports that attempts were underway to obtain another contractor to complete the refurbishments.

TABLE 4.3

NINE PROJECTS ASSESSED THIS QUARTER (\$ THOUSANDS)

PROJECT NAME	ASSESSMENT TYPE	PROVINCE	BUDGETED COST	EXECUTING AGENCY	FUNDING SOURCE	CONTRACTOR	GRD REGION
Sadr City R3 Water Treatment Plant	Construction	Baghdad	\$65,848	GRC	IRRF	Washington International, Inc./ Black & Veitch	Central
Falluja Waste Water Treatment Plant	Construction	Anbar	\$29,558	GRC	IRRF	FluorAMEC	Central
Falluja Sewer—Area A Construction and Repair	Construction	Anbar	\$2,906	GRC	IRRF	Local	Central
Falluja Sewer—Pump Station 1&2	Construction	Anbar	\$7,223	GRC	CERP	Local	Central
Falluja Sewer—Force Main	Construction	Anbar	\$1,804	GRC	DFI	Local	Central
Falluja Sewer—Earthwork for the WWTP	Construction	Anbar	\$2,769	GRC	DFI	Local	Central
Al Quds School	Sustainment	Baghdad	\$420	MNC-I	I-CERP	Local	Central
Al Mualameen School	Sustainment	Baghdad	\$389	MNC-I	I-CERP	Local	Central
Al Faoo School	Sustainment	Baghdad	\$441	MNC-I	I-CERP	Local	Central

The **Falluja Waste Water Treatment System** was originally planned to cost \$32.5 million, to be completed in January 2006, and to serve the entire city of Falluja. Now, it will cost at least three times as much as originally planned, will be only partially functioning in April 2009 at the earliest, and will serve less than half of the area originally intended.

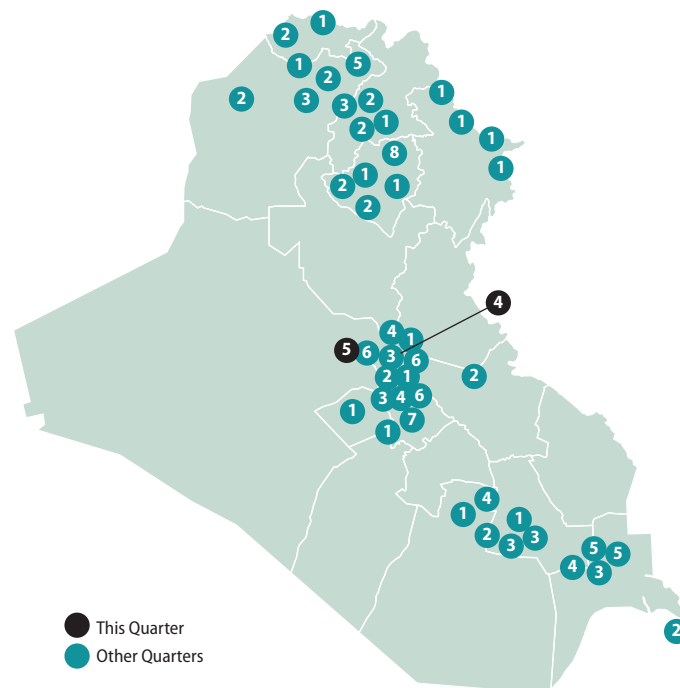
The wastewater treatment plant for the Falluja Waste Water Treatment System was originally designed using a lagoon system; however, at the insistence of the Ministry of Municipalities and Public Works, it was re-designed to use a mechanical, activated-sludge system. The work completed appeared to meet the contract specifications as a result of good quality assurance on the part of the government. Before any of the residents of Falluja can receive the benefits of a wastewater treatment system, a number of problems must still be overcome:

- A sufficient supply of fuel to operate generators or power from the Iraqi national grid must be made available to continuously operate the generators at the wastewater treatment plant and pump stations.
- Provision must be made to connect homes to the wastewater collection system. Currently, neither the U.S. government nor the GOI has funding in place to connect the houses to the system.
- A number of contractors with contracts funded by the DFI have not received payment for their work from the GOI for extended time periods—some for almost two years. Failure to pay contractors promptly has impeded progress and resulted in one instance in which a contractor denied the use of a force main pipeline to the wastewater treatment system by locking the manholes and valve boxes.

FIGURE 4.1

PROJECT ASSESSMENTS

Approximate locations of the 131 projects where inspections were conducted, analyzed, and reported to date.



The inspection of the IRRF-funded **Sadr City R3 Water Treatment Plant** revealed a project originally to be built under a U.S. Agency for International Development contract with Bechtel National, Inc. (Bechtel). Bechtel sub-contracted with Parsons Global Services, Inc. (Parsons) for the design and construction of the project. When the project was reported to be 85% complete, Bechtel and Parsons departed Iraq, and the project was turned over to the U.S. Army Corps of Engineers (USACE) to be finished. USACE contracted with Washington International, Inc./ Black & Vietch to complete the design and construction of the project. Although problems were

identified with the design and construction work under the original contract, adequate construction and effective contractor QC and government QA under the USACE have resulted in a project currently estimated to be 92% complete, functioning at nearly full design capacity and capability.

Table 4.3 lists the project assessments that SIGIR completed this quarter. For a complete list of project assessments from previous quarters, see Appendix J.

Figure 4.1 shows the approximate location of each project assessed this quarter and in previous quarters.



Falluja wastewater project: Inlet tank and screen structure.



Falluja wastewater project: Oil and grit tank and classifier.

SIGIR Project Assessments

This section provides summaries of SIGIR project assessment reports completed this quarter. For the full reports, see the SIGIR website, www.sigir.mil.

Falluja Waste Water Treatment System, Falluja, Iraq

SIGIR PA-08-144

SIGIR PA-08-145

SIGIR PA-08-146

SIGIR PA-08-147

SIGIR PA-08-148

In July 2008, the U.S. Ambassador became “extremely concerned” that the Falluja Waste Water Treatment System⁶³⁴ had “gone so far off track and for so long.” Specifically, a project that was originally planned to cost \$32.5 million, be completed in 18 months in January 2006 by one contractor, and serve the entire city of Falluja, now would cost \$98 million, be only partially completed in 56 months in April 2009 under the original contract and 45 others, and serve only 9,300 homes—only 38% of the city of Falluja. The Ambassador was concerned not only with the costs, timeliness, and extent of, but also with the adequacy of progress reporting. This inspection report addresses the Ambassador’s concerns

about the costs, timeliness, and extent of construction. The Audit Directorate is addressing the Ambassador’s concerns about the adequacy of progress reporting in SIGIR Audit 09-007, “Improvements Needed in Reporting the Status of Reconstruction Projects to Chief of Mission.”

On March 23, 2004, an indefinite delivery/indefinite quantity, cost-plus award-fee contract to restore, rebuild, and develop water, wastewater, and solid waste projects to assist in the restoration of the Iraqi infrastructure was awarded to FluorAMEC of Greenville, South Carolina. On June 26, 2004, a delivery order against the contract for \$32.5 million was issued to design and construct a new wastewater treatment system, comprising a sewer collection network, trunk lines, pump stations, and a wastewater treatment plant for the city of Falluja. The projected start date was July 1, 2004; the project was scheduled to be completed in 18 months. In September 2005, after the project experienced schedule delays and cost growth of approximately \$25.8 million, the Iraq Reconstruction Management Office⁶³⁵ terminated the original FluorAMEC contract. At that time, only a portion of one collection network was complete. Since then, 45 separate contracts have been awarded to Iraqi contractors to complete

portions of the wastewater treatment system and provide needed equipment and supplies. At the time of the SIGIR assessment, the costs of the Falluja Waste Water Treatment System had risen to \$98 million, of which \$18.7 million had been expended under the FluorAMEC delivery order, and \$79.3 million had been obligated for the 45 contracts to complete the system.

SIGIR subjectively chose five contracts to review in its assessment report. The contracts selected provide coverage of all three funding sources and multiple facets of the project, including sewer collection Area A, the force main, and the wastewater treatment plant.

Project Assessment Objectives

The objective of these project assessments was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action, when warranted.

SIGIR conducted these project assessments in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team comprised an engineer/inspector and an auditor/inspector.

Project Objective

The original objective of the FluorAMEC contract delivery order was to design and construct a wastewater treatment system to serve the then-estimated 24,400 homes in the entire city of Falluja. The system was to include eight sewer collection networks, trunk and force main pipelines, seven pump stations, a wastewater treatment plant, and an effluent pump station

with outfall to the Euphrates River. However, the objective was ultimately modified to design and construct collection systems for 9,300 homes in only three of the eight areas within the city of Falluja, trunk and force main pipelines, three pump stations, a wastewater treatment plant, and an effluent pump station with outfall to the Euphrates River.

Costing approximately \$98 million,⁶³⁶ the Falluja Waste Water Treatment System is the only major new sewage system being constructed and is one of the largest water projects funded by the U.S. government in Iraq. This project has been identified as a priority project for the U.S. government and the GOI because it is to provide sewage treatment for a predominantly Sunni area.

Issues Affecting the Costs, Timeliness, and Extent of Construction

Although several factors contributed to the project slipping drastically behind schedule and escalating costs, the main reasons involve:

- unrealistic expectations by the U.S. government with regard to schedule and cost estimates, considering the security situation
- the decision to redesign the wastewater treatment plant from a lagoon system to an activated-sludge system
- funding and contracting issues
- indecision by the U.S. government with regard to identifying a path forward for this project
- limited contractor and subcontractor pool to choose from and the resulting quality issues
- workplace safety issues at the project sites

Conclusions

The assessment determined that:

1. The wastewater treatment plant for the Falluja Waste Water Treatment System was originally designed using a lagoon system; however, because the Ministry of Municipalities and Public Works refused to even consider a lagoon system, the U.S. government agreed to re-design the wastewater treatment plant using a mechanical system (activated-sludge units). According to representatives of the Iraq Transition Assistance Office and the U.S. Army Corps of Engineers, the design drawings for both the wastewater treatment plant and the pump stations were “technically inadequate,” which required the U.S. government to contract with Washington International, Inc./Black & Vietch to complete the construction package. For example, the contractor’s design

submittal for the wastewater treatment plant had “many technical issues” requiring Washington International, Inc./Black & Vietch to develop detailed designs for the chlorination system, scrubber, polymer slab, and polymer system design. In addition, a peer design review was required to bring the pump stations “up to international safety and engineering code compliance.” Also, the original designs for all three collection systems were technically inadequate because the original design engineer was unable to complete site surveys due to security concerns.

After the project was re-designed two separate times at significant additional cost to the U.S. government, the contract’s design and specifications were eventually revised to be specific enough to construct



Falluja wastewater project: effluent pump station construction.



Falluja wastewater project: F1 Pump Station wall construction.

the wastewater treatment plant and associated facilities. The revised design has taken into consideration the sequencing of work and the relationship to other contract work. The revised drawings and specifications appear to be complete and consistent with the contract's requirements. However, it must be noted that the primary design concern of the Ministry of Municipalities and Public Works—the odor produced by a lagoon system—was not addressed by the original design of the wastewater treatment plant with the activated-sludge units. During the design review process, this was identified; however, because of project funding constraints, it was not remedied. Consequently, the residents of Falluja, many of whom will not have access to the sewer system, will be subjected to significant odors emitted from the wastewater treatment plant.

2. The majority of the work observed met the standards of the revised designs. Because of the security situation, the inspection team was able to inspect only the wastewater treatment plant and Pump Station F1. At the wastewater treatment plant, no significant deficiencies were observed; however, at Pump Station F1, the inspection team observed an area of inadequately poured concrete. According to a representative of the Camp Falluja Resident Office of the U.S. Army Corps of Engineers Gulf Region Central, the unacceptable concrete work had previously been identified on a deficiency list and will be inspected for removal and

replacement prior to issuance of final payment. The inspection team concluded that the Camp Falluja Resident Office provided adequate oversight to ensure that construction met the standards of the design.

3. The contractors' QC plans were sufficiently detailed, including the use of daily QC reports to document construction deficiencies. The daily QC reports documented the number of workers on site, the construction activities performed, and provided numerous photographs of work activities performed. According to Camp Falluja Resident Office representatives, the contractor's daily QC reports were useful but showed what the contractor wanted them to see.

The government QA program was effective in ensuring that construction of the entire Falluja Waste Water Treatment System was adequate. The security situation in and around this project has been extremely volatile, which severely limited the ability of Camp Falluja Resident Office representatives to perform the depth of QA oversight required for a project this large and complex. The constant threat of attacks either on site or during the drive to and from the site limited the frequency and duration of Camp Falluja Resident Office representatives' project visits to an hour or two every other week.

Technical precision and contractor safety issues for the wastewater treatment system

required more QA oversight than the Camp Falluja Resident Office could provide because of the security situation. Therefore, a contract was awarded to a local contractor that employed Iraqi engineers from the Falluja area as QA representatives to perform field engineering and inspections services during construction. The QA representatives were on site during construction events, monitored field activities, and completed daily QA reports that documented significant construction activities and included photographs of construction work performed throughout the day. According to Camp Falluja Resident Office representatives, the QA representatives served as their “eyes and ears on the ground.”

The lack of local contractors with the technical capabilities to perform construction activities that comply with international standards presented a constant challenge. According to Camp Falluja Resident Office representatives, their goal was to achieve a “minimum acceptable quality” at the project sites, which they believed was a realistic approach to managing this project. Camp Falluja Resident Office representatives believe that this goal does not mean diminished quality, but rather a practical approach when taking into consideration security, safety, and the desire for project progress.

Camp Falluja Resident Office representatives have instituted improved concrete

specifications for the wastewater treatment plant and pump stations, which provided vastly improved durability from higher concrete density and provided concrete compressive-strength test results that are well above the minimum required characteristic strength. Camp Falluja Resident Office representatives consider this an “insurance policy” to overcome the “inherent flaws in concrete production and placement that exist in the Iraqi construction industry at present.” In addition, Camp Falluja Resident Office representatives mentor the local Iraqi contractors with safety briefings and construction techniques. Throughout the duration of this project, Camp Falluja Resident Office representatives made a concerted effort to promote safety as much as quality with the local contractors. Several accidents have occurred at the project sites—resulting in four fatalities. The deaths are a testament to the refusal of the local contractors to conform to the safety practices recommended by the Camp Falluja Resident Office representatives.

The Camp Falluja Resident Office’s robust QA program compensated for the technical and safety limitations of the local contractors. Specifically, the QA program encouraged safety and quality while ensuring the completion of the project.

4. Sustainability was not adequately addressed for this project. At the inception of the

project, the U.S. government wanted the wastewater treatment plant to use a lagoon system because it required little power, no skilled personnel, and little maintenance to operate; however, the Ministry of Municipalities and Public Works (the Ministry) rejected the lagoon system because it was for “third-world countries.” Instead the Ministry requested the use of a mechanical (activated-sludge unit) system. Ultimately, the U.S. government accepted the Ministry’s proposal to use a mechanical system; this decision will have significant, irreversible, and long-term ramifications on the future operation and maintenance of the wastewater treatment plant and associated facilities.

When the original delivery order was awarded in mid-2004, little permanent power was required because the wastewater treatment plant was designed with a lagoon system. In November 2005, when the U.S. government agreed to redesign the wastewater treatment plant from a lagoon to a mechanical system, the need for permanent, reliable power became critical. In June 2006, a contract funded with DFI funds was awarded to provide power to operate the newly designed mechanical wastewater treatment plant and Pump Station F1—specifically, feeder lines connecting the plant and pump station to a local substation.

However, by July 2007, U.S. government representatives realized that the Iraqi National

Grid would not provide “any significant improvements [for permanent power] in the foreseeable future.” As a result, the solution to the lack of permanent power was to further redesign the wastewater treatment plant to operate by continuous-use generators, instead of standby generators.

According to Gulf Region Division representatives, it will take approximately 520 gallons of fuel per hour (12,480 gallons per day) to operate the generators for the full running of the wastewater treatment system (all four wastewater treatment plant trains and three pump stations for eight collection areas); although it will require 200-250 gallons of fuel per hour (4,800-6,000 gallons per day) to operate the limited service portion of this project (two of the four wastewater treatment plant trains and two pump stations for three collection areas).

Currently, no contract exists to provide the fuel needed to operate the generators at the wastewater treatment plant and pump stations. The inspection team was told that the Ministry would be responsible for providing the fuel. Unfortunately, the Ministry of Municipalities and Public Works has not yet committed to providing the fuel that will be required to run the wastewater treatment plant and three pump stations.

This sustainability issue presents a serious problem for both the U.S. government and the GOI. Specifically, if the GOI cannot provide an adequate amount of fuel to

continuously operate the wastewater treatment plant and pump stations, the Falluja Waste Water Treatment System will not operate, and the substantial investment by the U.S. government will be wasted.

5. The results of the Falluja Waste Water Treatment System project will not be consistent with either the original or revised project objectives. Originally, the project objective was to provide a comprehensive wastewater treatment system for the entire city of Falluja; however, due to significantly increased costs and project delays, the objective was modified to provide the backbone to the wastewater treatment system (i.e., wastewater treatment plant, pump stations, and trunk lines) and make it available to only three of Falluja's eight collection areas. The original intent was to provide house-connection pipes to within one meter of the property line, and the Ministry of Municipalities and Public Works would be responsible for making the connections from each house to the collection system. In a cost-saving measure, the Ministry has proposed allowing each homeowner to make the connection to the collection system. Camp Falluja Resident Office representatives are concerned about this proposal: they believe that homeowners will simply knock a hole through the manhole walls, damaging the collection system. Without house connections to the collection systems, there will be no method of transferring wastewater from individual houses to the wastewater

treatment system. Currently, neither the U.S. government nor the GOI has funding in place to perform the house-connection work; therefore, no Falluja residents will benefit from the wastewater treatment system.

In addition, a number of contractors with contracts funded by the DFI have not received payment for their work on the wastewater treatment system for extended time periods. For example, the contractor who constructed the Force Main pipeline is owed approximately \$1.3 million by the Ministry of Finance under his contract. The Iraq Transition Assistance Office has been actively pursuing the payment of the DFI-funded contracts with the Ministry of Finance. Subsequent to the issuance of the draft report, the Iraq Transition Assistance Office representatives stated that two payments, totaling approximately \$570,000, have been made by the Ministry of Finance.

According to U.S. government representatives, the Ministry of Finance is "days away" from making the payment to the contractor; however, this payment is almost two years overdue. Until payment is received, the contractor has denied use of the Force Main pipeline to the wastewater treatment system by locking the manholes and valve boxes. Without the use of the Force Main pipeline, no wastewater will travel from Pump Station F1 to the wastewater treatment plant.

Recommendations

To protect the U.S. government's investment of approximately \$98 million, SIGIR recommends that the Iraq Transition Assistance Office Director:

- Coordinate efforts with the GOI to ensure that an adequate amount of fuel is provided until permanent, reliable power is available to operate the wastewater treatment plant and the pump stations.
- Coordinate efforts with the GOI to ensure a solution to permanent power for the wastewater treatment plant and pump station.
- Coordinate with the GOI to guarantee that the house connections are made to tie the three collection areas into the sewer network system.
- Continue efforts with the GOI to ensure that the remaining contractors with outstanding balances from the DFI contracts are paid.

Management Comments

SIGIR received comments on its draft report from the U.S. Embassy-Iraq, concurring with the recommendations in the report. Specific comments were also provided to clarify technical aspects of the report. The Gulf Region Division of the U.S. Army Corps of Engineers also provided technical comments for clarification. SIGIR reviewed the comments provided by both the U.S. Embassy-Iraq and the Gulf Region Division and revised the final report as appropriate. SIGIR appreciates the concurrence of the U.S. Embassy-Iraq with the recommendations of the draft report.

Sadr City R3 Water Treatment Plant, Baghdad, Iraq

SIGIR PA-08-143

This project assessment was initiated as part of SIGIR's continuing assessments of selected reconstruction activities in the water sector. This project assessment was conducted in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team comprised a professional engineer/inspector and an auditor/inspector.

Project Objectives

The objective of the **Sadr City R3 Water Treatment Plant** is to provide 4,000 cubic meters (4 million liters) per hour of potable water to serve approximately 192,000 residents in Sadr City. It was designed to receive untreated water from the existing raw water supply system and supply treated potable water to the existing distribution system. The plant is to employ approximately 150 operations, maintenance, and management personnel.

The Sadr City R3 Water Treatment Plant was originally to be built under a U.S. Agency for International Development (USAID) contract with Bechtel National, Inc. (Bechtel). Bechtel sub-contracted with Parsons Global Services, Inc. (Parsons) for the design and construction of the project. When the project was reported to be 85% complete, Bechtel and Parsons departed Iraq and the project was turned over to the U.S. Army Corps of Engineers (USACE) to be finished. USACE contracted with Washington International, Inc./Black & Vietch to complete the design and construction of the project.



Sadr City water project:
flocculation tanks.

Project Assessment Objectives

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action, when warranted.

Conclusions

The assessment determined that:

1. The final plans and designs for the Sadr City R3 Water Treatment Plant were effective for the construction of the facility. Buildings and facilities for the Sadr City R3 Water Treatment Plant were initially designed by Bechtel and Parsons under a USAID contract. Upon transfer of the project to USACE for completion, USACE contracted with Washington International, Inc./Black & Vietch, which supplemented the original design appropriately because of deficiencies that should have been clarified and/or changed in the contract drawings and/or specifications provided by Bechtel and Parsons. The Gulf Region Division of USACE, the Iraq Transition Assistance Office, and the USAID Baghdad Office initiated preliminary action to notify Bechtel of the intent to file a claim for latent defective design and construction work.

The contractor was required to design and construct a residual solids pipeline, which

would dump the residual solids solution into the existing Police Canal. Because of environmental concerns, the contractor determined that a three-cell lagoon would be constructed to settle out the solids in the residual solids solution. The U.S. government issued a grant agreement with the Ministry of Water Resources to construct three residual sludge lagoons for the Sadr City R3 Water Treatment Plant for \$4,161,176. As of August 2008, the lagoon construction had been delayed due to indecision on the location, identification of the property owners, and the relocation of the residents living on the property. Until the lagoons are completed, the residual solids from the Sadr City Water Treatment Plant sedimentation and filtration processes will be pumped into the Police Canal.

2. The observed construction work associated with the project appeared to effectively meet the standards of the design. USACE and Washington International, Inc./Black & Vietch maintained an active role in managing the project to ensure quality and compliance with the contract requirements. For example, the northeast wall of the filter structure showed signs of significant concrete repair work. The repair work was to correct a deficiency identified on the

contractor's punch list. At the time of the inspection, the concrete repair work was not leaking. However, the re-work has delayed the project completion date and has cost the U. S. government additional funds to repair the deficiency.

3. The contractor's QC was effective in guiding the contractor's QC program. The contractor's daily QC reports contained required project and work activity information to document construction progress and identify problems with the required corrective action. The contractor's adequate quality control will help supply 4,000 cubic meters per hour of potable water to Sadr City.

The government QA program was effective in monitoring the contractor's QC program. The QA representative maintained a presence at the construction site and provided daily QA reports that contained project-specific information to document construction progress and highlight deficiencies. The quality assurance representative also supplemented the daily reports with detailed photographs that reinforced the narrative information provided in the reports.

4. Sustainability was addressed in the contract requirements. The contract required the contractor to train the appropriate individuals; provide operation and maintenance support during the construction, startup, and commissioning phases of the project;

complete commissioning and startup activities; and provide options for potential plant expansion.

Washington International, Inc./Black & Vietch has been providing training on use of the lab equipment, management of a drinking water system, operation of the chemical building, operation and maintenance of chemical systems, pipe and pipe repair, ductile iron pipe repair, and pumping of the water treatment plant. The operation and maintenance manuals provide an overview of the equipment by identifying the major process units, listing the equipment components and their capacities, and explaining the main operating practices and maintenance requirements of the plant as a whole unit. In addition, the manuals identify preventive maintenance tasks and equipment lubrication schedules.

The Baghdad Water Authority is required to provide the consumables for operation of the water treatment plant—such as alum, chlorine, polymer, and diesel fuel—to support continued operation. The original design of the facility was for 4,000 cubic meters per hour of potable water; however, the design provides for a future capacity expansion to accommodate 6,000 cubic meters per hour in multiple cell expansions. The contract between USAID and Bechtel required a one-year after-turnover warranty. The warranty is supported by and



Sadr City water project: raw water metering and flow-control station.

the responsibility of the local Iraqi subcontractor. The warranty letter, signed by the local Iraqi subcontractor, warrants that on written notice of defect, the subcontractor will promptly furnish—at no cost to the contractor or owner—all labor, equipment, and materials necessary to correct such defects and cause the work to comply fully with the foregoing warranties. Washington International, Inc./Black & Vietch identified 93 deficiencies in design and construction.

With the concurrence of USACE, Washington International, Inc./Black & Vietch agreed to rehire the same local Iraqi subcontractor to finish the project. The terms included:

- The local Iraqi subcontractor would complete items identified as the uncompleted portion of the project for the unpaid balance on the prior subcontract.
- Any other items, including correction of prior defects, would be identified as “Discovery Items,” which would be the subject of additional compensation.

This agreement resulted in additional cost to the government for repair or replacement of defective work.

Washington International, Inc./Black & Vietch provided technical information to the local Iraqi subcontractor to support the U.S. government in its effort to enforce the warranty claims. USACE sent a letter to the Iraq Transition Assistance Office requesting notification to USAID to file a formal notification to Bechtel of the intent to file a claim for latent defective work. This letter reports that the discovery of defective work has resulted in millions of dollars of re-work.

5. The Sadr City R3 Water Treatment Plant project should result in a functional project. At the time of the assessment, the project was reported to be 92% complete. If the current quality of construction and effective project management continues, the Sadr City R3 Water Treatment Plant will be completed, and the project results will be consistent with the original objectives.



Al Mualameen school: painted exterior.



Al Faoo school: painted exterior.

Recommendations

SIGIR recommends that:

1. The Commanding General, Gulf Region Division, continue to provide information and documentation to assist the U.S. Agency for International Development in evaluation of faulty design and construction work.
2. The Mission Director of the Baghdad Office of the U.S. Agency for International Development and the Director, Iraq Transition Assistance Office, evaluate the issues raised in SIGIR's report and take appropriate action.

Management Comments

SIGIR received comments on its draft report from the Gulf Region Division, Iraq Transition Assistance Office, and USAID. The comments were in response to an understanding of SIGIR's original recommendations that required legal action for the potential claim for faulty design and construction work. The Iraq Transition Assistance Office and USAID also stated that they had not been provided sufficient time to consider whether legal action is warranted. USAID further indicated that material statements in the report contained errors, discrepancies, deficiencies, and/or omissions, though no instances or examples were provided. SIGIR's intent was not to require legal action, but to recommend an evaluation of the issues raised in this report and then take appropriate action.

Al Quds, Al Mualameen, and Al Faoo Schools, Baghdad, Iraq

SIGIR PA-08-149

SIGIR PA-08-150

SIGIR PA-08-151

SIGIR is assessing projects funded by the GOI under the Iraq-Commander's Emergency Response Program (I-CERP) to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action, when warranted.

Project Assessment Objectives

The objective of these project assessments was to determine whether the projects were operating at the capacity stated in the original contract. To accomplish the objective, the assessment team sought to determine whether the projects were at full capability or capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the site inspection on September 17, 2008. SIGIR conducted these limited scope assessments in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team comprised an engineer/inspector and an auditor/inspector.

The overall objective of the project was to rehabilitate the Al Quds, Al Mualameen, and Al Faoo Schools, in Sadr City's Jamilla neighborhood in Baghdad, Iraq, to benefit approximately 350 to 400 students at each of the three schools.



No screens in windows and debris in the schoolyard at the Al Quds school.



Improper electrical connection at the Al Mualameen school.

On June 29, 2008, firm-fixed-price contracts were awarded to a local contractor. The Al Quds, Al Mualameen, and Al Faoo Schools rehabilitation projects were scheduled for completion on July 29, 2008.

Conclusions

At the time of the SIGIR site visits on September 17, 2008, the Al Quds, Al Mualameen, and Al Faoo Schools refurbishment projects were incomplete. Multi-National Corps-Iraq (MNC-I) representatives reported that the local Iraqi

contractor requested to be released from the contracts because he had received multiple solicitations for bribes from GOI representatives. The Iraqi contractor stated that he refused to make the bribe payments and had received threats against himself, his colleagues, and his family. MNC-I representatives reported that Coalition forces closed the contracts and made partial payments to the contractor for work completed at the time the projects were closed out. MNC-I reports that attempts were underway to obtain another contractor to complete the refurbishments.

During the site visits, SIGIR observed that a majority of the Statement of Work requirements for the refurbishment of the three schools appeared to be complete. However, a number of contractual items were incomplete; for example the electrical panel area was not secured, and debris and furniture that were to be removed were still on site. The condition of the electrical panel created a risk of electrical shock and fire, and the debris and discarded furniture presented an unsafe condition.



The Al Quds school: painted exterior.

The contracts' Statements of Work sufficiently identify the portions of the schools to be refurbished—specifically, the school areas, equipment, and facilities to be installed or replaced. Also, provisions were included that required that materials and equipment would be replaced with new equipment, not used equipment. The contract terms also specified that the quality of work must meet the standards of the Ministry of Education. Other than that, the contract terms did not identify the standards to which work was to be performed or the quality of materials to be used. Neither MNC-I nor the 926th Engineer Brigade was able to obtain the Ministry of Education standards. Consequently, although the contract terms provided sufficient identification of the work to be performed, the specifications to which the work was to be performed were not adequate.

Established and funded by the GOI, the purpose of the I-CERP is to enable commanders to execute urgently needed reconstruction projects for the benefit of the Iraqi people. The MNC-I Standard Operating Procedure Handbook, *Money as a Weapon System*, which

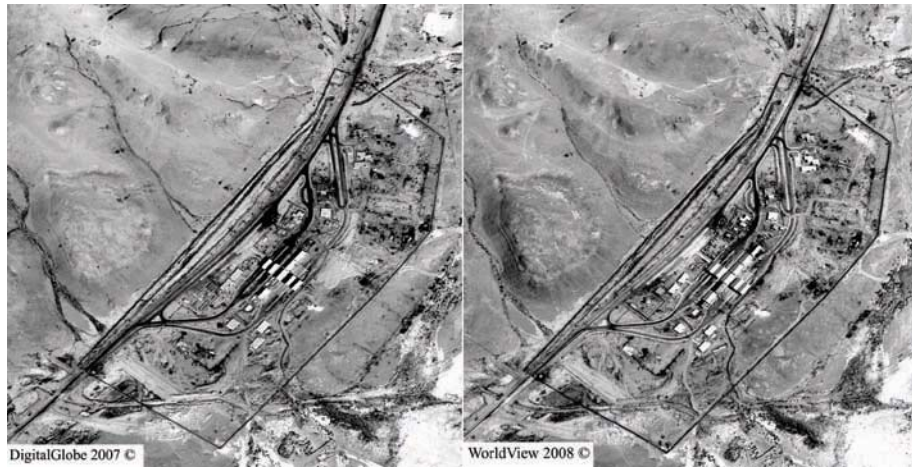
prescribes guidance for the I-CERP, provides that the overall success of the program's reporting is based on checks and balances and GOI oversight of the program, which requires bi-weekly reports of projects to be submitted to the GOI for review. The guidance also requires that project data in the Iraq Reconstruction Management Systems be accurate and updated weekly to ensure synchronization of projects among the GOI ministries.

Documentation provided to the assessment team summarized the financial and contractual start of the project. However, neither MNC-I nor the 926th Engineer Brigade provides bi-weekly reports or status reports describing the site progress during construction.

Recommendations

SIGIR recommends that the Commander, MNC-I, and the Commander, 926th Engineer Brigade take these actions:

1. Initiate another contract to complete the school refurbishments, particularly the portions of the contracts that present safety issues—such as the electrical panel, which presents a risk of electrical shock and fire,



Aerial Imagery of the Ar Ar Point of Entry station, taken on 4/4/2007 and 7/16/2008. SIGIR plans to conduct a project assessment of this site.

and the debris and discarded furniture which present an unsafe condition. In addition, the warranty, which is no longer valid from the original contractor, should be addressed, as well as incomplete items from the original contracts—such as the missing window screens, inoperable air-conditioning units, undelivered school supplies, etc.

2. Ensure that future contracts for the I-CERP not only identify the work to be performed, but also the specifications to which the work is to be performed.
3. Comply with the provisions of the MNC-Iraq Handbook, *Money as a Weapon System*, specifically:
 - Submit bi-weekly reports of projects for GOI review.
 - Update project data in the Iraq Reconstruction Management Systems on a weekly basis to ensure synchronization of projects among the GOI ministries.

Management Comments

SIGIR received informal comments on its draft

report from the Multi-National Force-Iraq (MNF-I), advising that MNF-I concurred with the report's findings and recommendations. SIGIR appreciates the concurrence by the MNF-I with the draft report's recommendations.

Aerial Project Survey Program

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, performs aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. The SIGIR satellite imagery analyst provides current imagery, imagery-based intelligence, and map products to the SIGIR directorates—Inspections, Audits, and Investigations. This has enabled SIGIR to provide current information on remote site locations and to track construction progress at project sites throughout Iraq.

This quarter, SIGIR conducted imagery analysis of 129 images and created 92 imagery products, using satellite imagery and limited available contract information. The imagery provides visual assessment of progress at reconstruction site locations throughout Iraq. The SIGIR imagery analyst assessed and reviewed I-CERP



Aerial imagery of the Sadr City R3 Water Treatment Plant taken on 6/26/2006, 11/24/2006, and 5/22/2008. This quarter, SIGIR conducted an assessment of the Sadr City R3 Water Treatment Plant.

and IRRF projects evaluated this quarter. For an overview of the images produced, see Table 4.4.

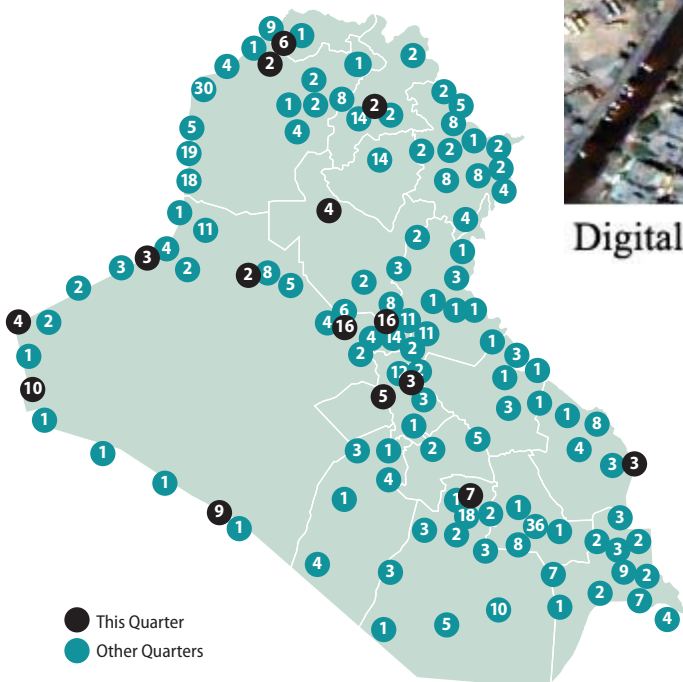
Imagery support products—including site overviews, project site break-outs, and site assessments—are used to prepare for inspection site visits and to identify possible problems. This quarter, 92 imagery products were produced to assist inspectors with their project assessments of the 9 sites assessed this quarter and to provide analyses of potential future sites.

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 640 cumulative satellite imagery assessments and products (Figure 4.2).

TABLE 4.4
IMAGERY ASSESSED SUPPORTING PROJECT ASSESSMENTS

PROJECT TYPE	NUMBER OF PRODUCTS
Falluja Waste Water Treatment Plant	11
Sadr City R3 Water Treatment System	7
Al Quds School	3
Al Mualameen School	3
Al Faoo School	3
Al Iqitadar School	3
Sagrah School	2
Al Shurhabil School	2
FOLLOW-UP ASSESSMENTS	
Al Muthanna Roads	7
Dahuk Rehabilitation Facility	6
Karbala Library	5
Maysan—Al Sheeb Border Post	3
Babil Police Station—Special Missions	3
Mosul Dam	2
Kurdistan Ministry of Interior	2
ADDITIONAL PRODUCTS	
Trebil Point of Entry—Al Anbar	10
Ar Ar Point of Entry—Al Anbar	9
Salah ad Din—Baiji Oil Refinery	4
Al-Waleed Point of Entry—Al Anbar	4
Qiam Point of Entry—Al Anbar	3

FIGURE 4.2
AERIAL IMAGERY ASSESSMENTS



Aerial imagery taken on 6/25/2008, of the KRG Ministry of Interior Building, previously assessed in SIGIR PA-o8-119.

SIGIR INVESTIGATIONS

SIGIR Investigations continues its work with a wide range of U.S. agency partners to pursue allegations of fraud, waste, and abuse in Iraq reconstruction, through 67 open investigations. This quarter, SIGIR Investigations had 5 personnel assigned to Baghdad; 8 special agents at SIGIR headquarters in Arlington, Virginia; and 11 special agents in offices in Pennsylvania, Florida, Ohio, Michigan, Maryland, and Texas to support current investigations and task forces in those areas.

To date, the work of SIGIR investigators has resulted in 16 arrests, 18 indictments, 11 convictions, 5 imprisonments, and more than \$17 million in fines, forfeitures, recoveries, and restitution. Three defendants are currently standing trial in federal court in Trenton, New Jersey, and four other defendants await the scheduling of trial dates.

For a comprehensive list of indictments and convictions, see Appendix L.

Legal Actions This Quarter

This quarter, SIGIR investigations continued to lead a number of significant criminal prosecutions related to Iraq reconstruction.

New Trial Began in September

Three additional alleged conspirators from the “Bloom Stein scheme” are currently on trial in federal court in Trenton, New Jersey. **Col. Curtis Whiteford**, **Lt. Col. Michael Wheeler**, and civilian **Seymour Morris Jr.** were charged

in a 25-count indictment for related charges in connection with the scheme, including conspiracy, bribery, money laundering, and others. Whiteford was a senior official in the Coalition Provisional Authority (CPA); Wheeler was a CPA advisor for Iraq reconstruction projects; and Morris owned and operated a Cyprus-based financial services business.

Two others were charged in the indictment: **Lt. Col. Deborah Harrison**—the acting Comptroller at CPA-SC who oversaw the expenditure of CPA-SC funds for reconstruction projects—and her husband, **William Driver**. Harrison entered a guilty plea, and Driver will be tried later.

When this Quarterly Report went to press, the jury was deliberating. In the January 2008 Quarterly Report, SIGIR will provide details of the outcome of the trial.

This case was investigated by SIGIR, U.S. Immigration and Customs Enforcement (ICE), the Internal Revenue Service (IRS), and the Federal Bureau of Investigation (FBI).

Bribery at Camp Arifjan

On August 13, 2008, a U.S. Army Major pleaded guilty to bribery and conspiracy to commit bribery arising out of his activities as a contracting officer in Camp Arifjan, Kuwait, in 2005 and 2006. According to the plea agreement entered on August 13, 2008, in the U.S. District Court for the District of Columbia, **Major James Momon, Jr.**, was involved in a criminal conspiracy to



Collapsing septic system at Hilla Police Academy: an example of poor construction under contracts awarded to Philip Bloom.



Reinforcement for collapsing building roofs at Hilla Police Academy: another example of poor construction under a contract awarded to Bloom.

accept cash bribes from five DoD contracting firms that supplied goods and services to U.S. military bases in Kuwait. In return, he awarded contracts and blanket purchase agreement (BPA) calls to those contractors. Momon agreed to accept about \$5.8 million from his co-conspirators as payment for his actions. He faces up to 5 years in prison for the conspiracy count and up to 15 years in prison for each bribery count, as well as fines of \$250,000 for each count. He has also agreed that \$5.8 million in restitution is owed to the U.S. government.

This case was investigated by SIGIR, the U.S. Army Criminal Investigation Command–Major Procurement Fraud Unit (CID-MPFU), Defense Criminal Investigative Service (DCIS), FBI, ICE, and IRS.

On September 4, 2008, a federal grand jury in the District of Columbia returned a superseding indictment against **a civilian contractor** for allegedly paying bribes to U.S. Army contracting officials at Camp Arifjan and for committing honest services wire fraud in connection with the same conduct. The superseding indictment charges the contractor with one count of conspiracy to commit bribery, two substantive bribery counts, and two honest services wire fraud counts. The contractor was originally indicted on

November 20, 2007, and charged with one count of bribery of a U.S. Army contracting official at Camp Arifjan. The contractor operated several companies that had contracts with the U.S. military in Kuwait, including Freedom Consulting and Catering Co. (FCC) and Total Government Allegiance (TGA). The superseding indictment reflected that FCC and TGA received approximately \$17 million from contracts to deliver bottled water and to erect security fencing for DoD in Kuwait and Iraq, and it alleges that the contractor bribed two Army majors who served as Army contracting officials at Camp Arifjan between 2004 and 2006.

On October 9, 2008, David Ricardo Ramirez, a DoD contract employee at Balad Air Base, Iraq, pleaded guilty in U.S. District Court, San Antonio, Texas, to charges of smuggling cash in bulk and structuring bank transactions to evade cash-reporting requirements. In March 2008, Ramirez was indicted on the cash smuggling and structuring charges. As a result of the plea, Ramirez agreed to be sentenced in January 2009 to 50 months in prison and to forfeit a \$95,000 condominium, a \$25,000 lot, a \$33,000 2007 Ducati motorcycle, and an \$80,000 1989 Lamborghini. The total amount of cash involved was \$159,425.

The funds in question were sent from Balad to Texas, where they were deposited into his account from January to October 2007. Ramirez worked for Readiness Management Support (RMS), a DoD contractor at Balad Air Base from November 2006 to November 2007. RMS had contracts funded by ISFF totaling more than \$33 million, as well as U. S. Air Force contracts funded by U. S. Air Force Operations and Maintenance funds. Ramirez helped plan base facilities construction. Ramirez also failed to disclose his long criminal record, which included a second-degree murder conviction.

This case is being investigated by SIGIR, U.S. Army CID-MPFU, U.S. Air Force Office of Special Investigations (OSI), ICE, and FBI.

Suspensions and Debarments

Since SIGIR's July 2008 Quarterly Report, the Procurement Fraud Branch has suspended 33 more individuals and companies, based on allegations of fraud and misconduct connected to reconstruction and contractor fraud in Iraq, Kuwait, and Afghanistan, bringing the total suspensions to date to 101. In addition, 26 individuals and companies have been proposed for debarment, bringing the total proposed debarments to 69. Sixteen additional companies and individuals were debarred; the total number of final debarment actions is now 41.

Since December 2005, SIGIR has worked closely with the Department of Justice (DoJ), Army Criminal Investigation Command,

Defense Criminal Investigative Service, and Army Legal Service Agency's Procurement Fraud Branch to suspend and debar contractors for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq and Afghanistan. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official.

SIGIR and the Defense Finance and Accounting Service Invoice Review Project

SIGIR continues to support the ongoing Defense Finance and Accounting Service (DFAS) invoice review project in Rome, New York. DCIS launched this proactive project to analyze more than \$10 billion in payment vouchers related to U.S. Army purchases to support the war effort in Iraq. The project has identified suspected fraudulent activity related to the war effort in Iraq, and referrals for investigation have been provided to the agencies of the International Contract Corruption Task Force (ICCTF), including SIGIR.

The Commercial Accounts Payable System (CAPS) information has been obtained from the deployed disbursing stations and placed into a database that will be used to identify fraudulent activity through the utilization of data mining. This involves about 800,000 vouchers valued at

approximately \$13 billion to \$14 billion. In addition to the analytical efforts to develop cases, the DFAS data is also being provided for use by the participating agencies to support ongoing investigations involving fraud and corruption in Iraq.

DFAS began scanning all of the historical vouchers related to these contingency payments at DFAS-Rome. DFAS deployed scanners to Iraq and Kuwait to scan new vouchers as they are processed for payment. DFAS has agreed to give access to this data to develop new cases

and support ongoing investigations. This DFAS database, coupled with the CAPS database, will significantly assist investigators pursuing fraud in Southwest Asia.

Other Agency Investigations in Iraq

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 4.5.

TABLE 4.5

INFORMATION PROVIDED BY OTHER U.S. AGENCIES, AS OF 9/30/2008

	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ ONGOING CASES*
CID/MPFU	8	4	96
DCIS	6	2	134
DoS/OIG	0	0	4
FBI	4	2	79
USAID	2	0	6
Total	20	8	319

* Numbers include pending cases worked with other agencies.

SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. When the SIGIR Hotline receives cases that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, SIGIR transfers them to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

Third-Quarter Reporting

As of September 30, 2008, the SIGIR Hotline had initiated 681 cases. Of these cases, 592 have been closed, and 89 remain open. For a summary of these cases, see Table 4.6:

New Cases

During this reporting period, the SIGIR Hotline received 17 new complaints, bringing the cumulative total to 681 Hotline cases. The new complaints were classified in these categories:

- 12 involved contract fraud.
- 2 involved miscellaneous issues.
- 2 involved personnel issues.
- 1 involved waste.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal by email. SIGIR's 17

TABLE 4.6

SUMMARY OF SIGIR HOTLINE CASES, AS OF 9/30/2008

OPEN CASES				
Investigations				77
Audits				11
Inspections				1
Total Open				89

	1ST QTR 2008	2ND QTR 2008	3RD QTR 2008	CUMULATIVE*
CLOSED CASES				
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	1	0	0	46
Dismissed	4	3	1	120
Referred	10	10	7	259
Inspections	0	0	0	79
Investigations	1	1	1	73
Audits	0	0	0	9
Total Closed	16	14	9	592
Cumulative* Open & Closed				681

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004, to 9/30/2008.

new Hotline complaints were received by these means:

- 10 by electronic mail
- 5 by SIGIR website
- 2 by SIGIR Hotline telephone

Closed Cases

During this quarter, SIGIR closed 9 Hotline cases:

- 7 were referred to other inspector general agencies.
- 1 was dismissed for being outside of SIGIR's investigative purview.
- 1 was closed by SIGIR Investigations.

Referred Complaints

Following a thorough review, SIGIR referred 7 complaints to outside agencies for proper resolution:

- 5 were sent to the Department of Defense Office of Inspector General (OIG).
- 1 was sent to the Multi-National Force-Iraq OIG.
- 1 was sent to the U.S. Army OIG.

SIGIR WEBSITE

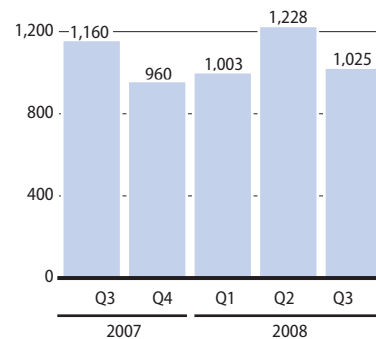
During this reporting period, the SIGIR website, www.sigir.mil, recorded these activities:

- More than 94,000 users visited the SIGIR website this quarter—1,025 users per day.
- Most users were from within the United States (80%). The remaining 20% were from 165 different countries, mainly in Western Europe (7%), Asia (4%), and the Middle East (2%).
- The Arabic language section of the site received more than 1,481 visits.
- A significant percentage of visitors to the SIGIR website were from government agencies, most notably DoD and DoS, and the U.S. House of Representatives.
- Users visited the SIGIR Reports section most often.
- The most frequently downloaded documents were SIGIR's Quarterly Reports to the Congress.

For an overview of daily visits to the SIGIR website, see Figure 3.3.

FIGURE 3.3

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE



Source: Web Analytics, as of 9/30/2008.

LEGISLATIVE UPDATE

On October 14, 2008, the President signed Public Law 110–417, the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009. It makes important changes affecting the Iraq reconstruction program and federal acquisition policy. Several of the changes appear to be intended to deal with issues raised in the course of SIGIR’s work.

Also on October 14, 2008, the President signed Public Law 110–409, the Inspector General Reform Act of 2008. This statute changes the way that some offices of Inspector General will operate across the government, for example by providing that Inspectors General receive independent legal advice. Those changes were already substantially in effect with respect to SIGIR.

Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (Public Law 110–417)

Contractors Performing Security Functions in Areas of Combat Operations. Section 853 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (the Act) expands the categories of incidents that must be reported by private security contractors operating in areas of combat operations. It reemphasizes that private security contractors working for all federal agencies are to comply with regulations prescribed by the Secretary of Defense, other applicable laws and regulations, and orders and directives issued by commanders on the battlefield.

Crimes by Contractors. Under Section 854 of the Act, the Secretary of Defense is required to report crimes against contractor personnel in Iraq and Afghanistan and to ensure that victims of such crimes receive appropriate assistance. It applies to contractors of the Department of Defense (DoD), Department of State (DoS), and the U.S. Agency for International Development (USAID), including individuals or subcontractors at any tier.

Statute of Limitations. Section 855 of the Act extends certain statutes of limitations during and after the use of U.S. Armed Forces in some circumstances.

Status of Forces Agreement. Section 1212 of the Act requires detailed reporting on (or the provision of the text of) any “status of forces agreement” that the United States may reach with Iraq.

U.S.-led Provincial Reconstruction Teams in Iraq. Section 1213 of the Act requires that the President have a strategy to ensure that (1) PRTs in Iraq are supporting the operational and strategic goals of Coalition forces in Iraq, and (2) the PRTs are developing the capacity of the Government of Iraq (GOI) and other civil institutions to assume increasing responsibility for the formulation, implementation, and oversight of reconstruction and development activities.

Commander’s Emergency Response Program (CERP). Section 1214 of the Act authorizes \$1.7 billion for the activities of this program for FY 2008, and \$1.5 billion for FY 2009.

The provision also imposes a limit of \$2 million on the amount of U.S. CERP funds that could be contributed to any individual humanitarian and reconstruction project in Iraq. The provision allows the Secretary of Defense to waive this limitation if the Secretary determines that a waiver is required to meet urgent humanitarian relief and reconstruction requirements that will immediately assist the Iraqi people. The limitation does not apply if funds managed by DoD under the CERP program were derived from outside DoD. The provision also requires the Secretary, or the Deputy Secretary of Defense, to certify that any project funded with U.S. CERP funds at a level of \$1 million or more addresses urgent humanitarian relief and reconstruction requirements that will immediately assist the Iraqi people.

The amendment requires that additional elements be included in the quarterly CERP reports to the congressional defense committees. It expresses the sense of the Congress that the GOI should assume increasing responsibility for funding and carrying out projects currently funded by the United States through CERP, and the GOI should assume all costs associated with the Sons of Iraq as expeditiously as possible.

Police Transition Teams. Section 1218 of the Act requires a study and report, with recommendations—by the Secretary of Defense, in consultation with the Secretary of State and the GOI—on Police Transition Teams to train, assist, and advise the Iraqi National Police Service.

Limitation on Iraq Security Forces Fund. Section 1505 subjects funds authorized in the Act—or appropriated in the Supplemental Appropriations Act, 2008 (Public Law 110–252),

and made available to DoD for the Iraq Security Forces Fund—to the conditions set forth in subsections (b) through (g) of section 1512 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110–181). These conditions relate to the types of assistance allowed, a requirement that the Secretary of State concur in the assistance provided, certain transfer authorities, notices, and reports required to be provided to the Congress, and other matters.

Prohibition on Use of U.S. Funds for Certain Facilities Projects in Iraq; Iraqi Cost-sharing for Certain Operations. Section 1508 of the Act prohibits the use of funds authorized to be appropriated in Title XV of the Act, or in Chapter 2 of Title IX of the Supplemental Appropriations Act, 2008 (mainly for the Iraq Security Forces Fund) to be obligated or expended for the acquisition, conversion, rehabilitation, or installation of facilities for the use of the GOI, political subdivisions of Iraq, or agencies, departments, or forces of the GOI or its subdivisions. An exception is provided for CERP, Military Construction (as defined in statute), or technical assistance.

Section 1508 also requires the U. S. government to begin negotiating an agreement with the GOI to share the costs of combined operations between the GOI and Multi-National Force-Iraq. The provision requires that the U.S. government act to ensure that Iraqi funds are used to pay the costs of training, equipping, and sustaining the Iraqi Security Forces. Reports are required to be submitted on the efforts of the U.S. government on the actions and negotiations mentioned in this paragraph.

Acquisition Matters. In addition to the three items mentioned above (relating to sections 853 through 855 of the Act), Title VIII of the Act comprises a number of other far-reaching changes to federal acquisition law:

- Section 833 provides for **expedited hiring authority** for the acquisition workforce.
- Section 834 requires that policies be established within major DoD organizations to provide for **career paths that attract the highest quality military personnel** to the acquisition field, including the reservation of billets in that field for general and flag officers.
- Section 841 is intended to **strengthen ethics safeguards related to contractor conflicts of interest** when performing acquisition functions closely associated with inherently governmental functions, including the development, award, and administration of government contracts.
- Section 843 requires the adoption of an acquisition strategy for **Defense Base Act** insurance.
- Section 844 requires a report on the **use of off-shore subsidiaries** by defense contractors.
- Section 862 generally **limits certain noncompetitive contracts** to no more than one year in duration.
- Section 864 requires an amendment of the Federal Acquisition Regulation to provide additional **regulations on the use of cost-reimbursable contracts** and also requires reporting on such contracts by the Office of Management and Budget and a review by certain executive agency Inspectors General of agency compliance with the new regulations.
- Section 866 requires additional regulations, for agencies other than the DoD, to **minimize the excessive use of tiering of subcontractors** that add no or negligible value, and to ensure that contractors or subcontractors do not receive indirect costs or profit on work performed by lower-tier subcontractors to which the higher-tier contractor adds no, or negligible, value.
- Section 867 requires a **link of award and incentive fees to acquisition outcomes** in agencies other than the DoD.
- Section 870 which requires the establishment of a “Governmentwide **Contingency Contracting Corps**,” consisting of existing government federal employees and members of the Armed Forces, to be available for deployment in responding to an emergency or major disaster, or a contingency operation, within or outside the United States.
- Section 872 provides for the establishment by the Administrator of the General Services Administration of a **database of information regarding the integrity of performance of persons awarded federal agency contracts**. This database which would include information about whether the person, in connection with the award or performance of a federal grant or contract, was convicted of a crime; was found in an administrative or civil procedure to have been at fault and to have had to pay a fine or reimbursement, restitution, or damages of a specified size; was suspended or debarred; had entered into an administrative agreement to resolve a suspension or debarment proceeding; or had a federal contract

or grant terminated for default. An official awarding a grant or contract in excess of the simplified acquisition threshold shall review the database and consider information in it with regard to any proposal or in making any responsibility determination or past performance evaluation of a contract offeror.

Civilian Reconstruction and Stabilization Management. Title XVI of the Act incorporates many of the provisions of the Reconstruction and Stabilization Civilian Management Act of 2008 (H.R. 1084), which passed the House of Representatives on March 5, 2008, and a Senate companion bill, S. 613, which had been reported by the Senate Committee on Foreign Relations on April 10, 2007, but had not been acted on by the full Senate.

- Section 1605 establishes within DoS the Office of the Coordinator for Reconstruction and Stabilization and authorizes the establishment of a Response Readiness Corps and a Civilian Reserve Corps to provide assistance in support of reconstruction and stabilization operations.
- Section 1607 directs the Secretary of State, in consultation with the Administrator of USAID, to develop an interagency strategy for responding to stabilization and reconstruction operations.
- Section 1608 directs the Secretary of State to report annually to the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs on the implementation of Title XVI.

